

H.R.1208

Iran Threat Reduction Act of 2009 (Introduced in House)  
HR 1208 IH

111th CONGRESS  
1st Session  
H. R. 1208

To strengthen existing legislation sanctioning persons aiding and facilitating nonproliferation activities by the Government of Iran, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

February 26, 2009

Ms. ROS-LEHTINEN (for herself, Mr. BOEHNER, Mr. CANTOR, Mr. PENCE, Mr. MCCARTHY of California, Mr. MCCOTTER, Mr. HOEKSTRA, Mr. KING of New York, Mr. BUYER, Mr. BLUNT, Mrs. BLACKBURN, Mr. PRICE of Georgia, Mr. BURTON of Indiana, Mr. GALLEGLY, Mr. MACK, Mr. WILSON of South Carolina, Mr. BOOZMAN, Mr. MCCAUL, Mr. POE of Texas, Mr. BILIRAKIS, Mrs. MYRICK, Mr. LINCOLN DIAZ-BALART of Florida, Mr. CONAWAY, Mr. MILLER of Florida, Mr. GOHMERT, Mr. LINDER, Mr. PLATTS, Mr. LOBIONDO, Mr. BISHOP of Utah, Mr. TERRY, Mr. LAMBORN, Mr. TIBERI, Mrs. BACHMANN, Mr. BUCHANAN, Mr. BROUN of Georgia, Mr. ROONEY, and Mr. SAM JOHNSON of Texas) introduced the following bill; which was referred to the Committee on Foreign Affairs, and in addition to the Committees on Financial Services, Oversight and Government Reform, Ways and Means, the Judiciary, Education and Labor, and Science and Technology, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To strengthen existing legislation sanctioning persons aiding and facilitating nonproliferation activities by the Government of Iran, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short Title- This Act may be cited as the `Iran Threat Reduction Act of 2009'.

(b) Table of Contents- The table of contents of this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I--AMENDMENTS TO THE IRAN FREEDOM SUPPORT ACT

Sec. 101. Codification of sanctions against Iran.

**TITLE II--AMENDMENTS TO THE IRAN SANCTIONS ACT OF 1996 AND RELATED PROVISIONS**

Sec. 201. Exclusion from the United States of senior officials of foreign persons who have aided proliferation relating to Iran.

Sec. 202. Import sanctions.

Sec. 203. Expansion and clarification of entities against which sanctions may be imposed pursuant to the Iran Sanctions Act of 1996.

Sec. 204. Application to subsidiaries.

Sec. 205. Authority to impose sanctions on principal executive officers.

Sec. 206. Strengthening of waiver authority and sanctions implementation.

**TITLE III--AMENDMENTS TO THE IRAN, NORTH KOREA, AND SYRIA NONPROLIFERATION ACT**

Sec. 301. Transshipment of certain goods, services, or technology.

Sec. 302. Prohibition on payments related to Service Module of the Russian Aviation and Space Agency.

**TITLE IV--DIVESTMENT FROM IRAN**

Sec. 401. Requiring the divestiture of current investments in Iran, prohibiting future investments in Iran, and requiring the disclosure to investors of information relating to such investments.

Sec. 402. Incentives for divestment from Iran.

Sec. 403. Denial of tax benefits for taxpayers engaged in business activity with Iran prohibited by United States law.

Sec. 404. Tax on income derived by foreign corporations from business activity with Iran prohibited by United States law.

**TITLE V--COMPENSATION FOR FORMER UNITED STATES HOSTAGES HELD BY IRAN AND VICTIMS OF IRANIAN-SPONSORED TERRORIST ATTACKS AGAINST THE UNITED STATES**

Sec. 501. Creation of Fund.

Sec. 502. Transfers to Fund.

Sec. 503. Expenditures from Fund.

Sec. 504. Compensation amounts.

Sec. 505. Remaining funds.

Sec. 506. Rule of construction.

**TITLE VI--ADDITIONAL PROVISIONS RELATED TO IRANIAN UNCONVENTIONAL WEAPONS PROGRAMS AND SUPPORT FOR INTERNATIONAL TERRORISM**

Sec. 601. Biological weapons capabilities and programs.

Sec. 602. Iranian chemical weapons capabilities and programs.

Sec. 603. Restrictions on nuclear cooperation with countries assisting the nuclear program of Iran.

Sec. 604. Continuation of restrictions against the Government of Iran.

## TITLE VII--DEFINITIONS

Sec. 701. Definitions.

## TITLE I--AMENDMENTS TO THE IRAN FREEDOM SUPPORT ACT

### SEC. 101. CODIFICATION OF SANCTIONS AGAINST IRAN.

(a) In General- Section 101(a) of the Iran Freedom Support Act (Public Law 109-293; 50 U.S.C. 1701 note) is amended in the first sentence by striking `and sections 2, 3, and 5 of Executive Order No. 13059 (relating to exports and certain other transactions with Iran) as in effect on January 1, 2006,' and inserting `sections 2, 3, and 5 of Executive Order No. 13059 (relating to exports and certain other transactions with Iran) as in effect on January 1, 2006, and Executive Order No. 13382 as in effect on January 15, 2009, until the President certifies to the appropriate congressional committees, at least 90 days before the removal of sanctions, that the Government of Iran has verifiably dismantled its weapons of mass destruction programs and ceased its support for international terrorism.'

(b) Sanctions Relating to Support for Acts of International Terrorism- Section 101 of the Iran Freedom Support Act is amended by amending subsection (b) to read as follows:

`(b)(1) Sanctions Relating to Support for Acts of International Terrorism- Any United States sanctions, controls, or regulations prohibiting or limiting engagement with Iranian entities as in effect on January 1, 2006, relating to a determination under section 6(j)(1)(A) of the Export Administration Act of 1979 (50 U.S.C. App. 2405(j)(1)(A)), section 620A(a) of the Foreign Assistance Act of 1961 (22 U.S.C. 2371(a)), or section 40(d) of the Arms Export Control Act (22 U.S.C. 2780(d)) shall remain in effect until the President certifies to the appropriate congressional committees, at least 90 days before the removal of such sanctions, that the Government of Iran--

`(A) is no longer engaged in the illegal development, acquisition, procurement, or stockpiling of missile, nuclear, chemical, biological, or radiological technology, or transfer to any other country, the government of which the Secretary of State has determined, for purposes of any of the provisions of law specified in the matter preceding this paragraph, is a government that has repeatedly provided support for acts of international terrorism;

`(B) is no longer engaged in training, harboring, supplying, financing, or supporting in any way--

`(i) any organization designated by the Secretary of State as a foreign terrorist organization in accordance with section 219(a) of the Immigration and Nationality Act (8 U.S.C. 1189(a)); and

`(ii) any person included on the Annex to Executive Order 13224 (September 23, 2001) and any other person identified under section 1 of that Executive Order whose property and interests in property are blocked by that section (commonly known as a `specially designated global terrorist'); and

`(C) has provided compensation for former United States hostages held in Iran, and other victims of acts of Iranian-sponsored terrorism against United States persons before the date of the enactment of this subsection, in accordance with section 503 of the Iran Threat Reduction Act of 2009.

`(2) Determination- The determination of Iran as a state-sponsor of terrorism under section 6(j)(1)(A) of the Export Administration Act of 1979 (50 U.S.C. App. 2405(j)(1)(A)), section 620A(a) of the Foreign Assistance Act of 1961 (22 U.S.C. 2371(a)), or section 40(d) of the Arms

Export Control Act (22 U.S.C. 2780(d)) shall remain in effect until the requirements of the notification described in subsection (a) and the certification described in this subsection are met.'

## TITLE II--AMENDMENTS TO THE IRAN SANCTIONS ACT OF 1996 AND RELATED PROVISIONS

### SEC. 201. EXCLUSION FROM THE UNITED STATES OF SENIOR OFFICIALS OF FOREIGN PERSONS WHO HAVE AIDED PROLIFERATION RELATING TO IRAN.

The Iran Sanctions Act of 1996 (Public Law 104-172; 50 U.S.C. 1701 note) is amended--

(1) in section 5(b), in the matter preceding paragraph (1), by inserting `, or permitted, hosted, or otherwise facilitated transshipment that may have enabled a person to export, transfer, or otherwise provide to Iran,' after `or otherwise provided to Iran';

(2) by redesignating sections (7) through (14) as sections (8) through (15), respectively; and

(3) by inserting after section (6) the following new section:

`SEC. 7. EXCLUSION FROM THE UNITED STATES OF SENIOR OFFICIALS OF FOREIGN PERSONS WHO HAVE AIDED PROLIFERATION RELATING TO IRAN.

`(a) Grounds for Exclusion- Except as provided in subsection (b), the Secretary of State shall deny a visa to, and the Secretary of State shall exclude from the United States, any alien whom the Secretary of State determines is an alien who, on or after the date of the enactment of this Act is a--

`(1) corporate officer, principal, or shareholder with a controlling interest of a person against whom sanctions have been imposed pursuant to section 5;

`(2) corporate officer, principal, or shareholder with a controlling interest of a successor entity to or a parent or subsidiary of such a person;

`(3) corporate officer, principal, or shareholder with a controlling interest of an affiliate of such a sanctioned person, if such affiliate engaged in a sanctionable activity described in subsection (a) or (b) of section 5, and if such affiliate is controlled in fact by such a person;

`(4) spouse, minor child, or agent of a person excludable under paragraph (1), (2), or (3);

`(5) senior official of a foreign government that is identified as a person against whom sanctions have been imposed pursuant to section 5;

`(6) senior official of a foreign government with primary jurisdiction over such a person; or

`(7) spouse, minor child, or agent of a person excludable under paragraph (5) or (6).

`(b) Exception- The President may waive the sanctions described in subsection (a) with respect to a person specified in paragraph (5), (6), or (7) if the President determines and certifies in writing to the appropriate congressional committees, on a case by case basis, that the foreign government with primary jurisdiction over such a person against whom sanctions have been imposed pursuant to section 5 has made and continues to make clear, specific efforts to stop and deter a sanctionable activity described in subsection (a) or (b) of section 5.'; and

(4) in section 15, as redesignated pursuant to paragraph (2) of this section--

(A) by redesignating paragraphs (15) and (16) as paragraphs (17) and (18), respectively; and

(B) by inserting after paragraph (14) the following new paragraphs:

`(14) TRANSFER- The term `transfer' means the conveyance of technological or intellectual property, or the conversion of intellectual or technological advances into marketable goods,

services, or articles of value, developed and generated in one place, to another through illegal or illicit means to a country, the government of which the Secretary of State has determined, for purposes of section 6(j)(1)(A) of the Export Administration Act of 1979 (as in effect pursuant to the International Emergency Economic Powers Act; 50 U.S.C. 1701 et seq.), section 40(d) of the Arms Export Control Act (22 U.S.C. 2780(d)), and section 620A of the Foreign Assistance Act of 1961 (22 U.S.C. 2371), is a government that has repeatedly provided support for acts of international terrorism.

`(15) TRANSSHIPMENT- The term `transshipment' means the export from one country to another that passes through a third country, in which cargo is off-loaded and there is some change to conveyance.'

### SEC. 202. IMPORT SANCTIONS.

#### (a) Prohibition on Imports-

(1) IN GENERAL- Except as provided in paragraph (2), no article that is the growth, product, or manufacture of Iran may be imported directly or indirectly into the United States.

(2) EXCEPTION- The prohibition described in paragraph (1) shall not apply to imports from Iran of information and informational materials.

(b) Waiver- The President may waive the application on a case-by-case basis of the prohibition described in subsection (a) if the President--

(1) determines that such a waiver is vital to the national security interest of the United States; and

(2) submits to the appropriate congressional committees a report describing the reasons for such determination.

### SEC. 203. EXPANSION AND CLARIFICATION OF ENTITIES AGAINST WHICH SANCTIONS MAY BE IMPOSED PURSUANT TO THE IRAN SANCTIONS ACT OF 1996.

(a) Person- Section 14(13)(B) of the Iran Sanctions Act of 1996 (50 U.S.C. 1701 note) is amended--

(1) by inserting `financial institution, insurer, underwriter, guarantor, and any other business organization, including any foreign subsidiary, parent, or affiliate of the foregoing,' after `trust,'; and

(2) by inserting `, such as an export credit agency' before the semicolon.

(b) Petroleum Resources- Section 14(14) of the Iran Sanctions Act of 1996 (50 U.S.C. 1701 note) is amended to read as follows:

#### `(14) PETROLEUM RESOURCES-

`(A) PETROLEUM RESOURCES- The term `petroleum resources' includes petroleum, petroleum by-products, oil or liquefied natural gas, oil or liquefied natural gas tankers, and products used to construct or maintain pipelines used to transport oil or compressed or liquefied natural gas.

`(B) PETROLEUM BY-PRODUCTS- The term `petroleum by-products' means gasoline, kerosene, distillates, propane or butane gas, diesel fuel, residual fuel oil, and other goods classified in headings 2709 and 2710 of the Harmonized Tariff Schedule of the United States.'

### SEC. 204. APPLICATION TO SUBSIDIARIES.

(a) In General- Except as provided in subsection (b), in any case in which an entity engages in an act outside the United States which, if committed in the United States or by a United States

person, would violate Executive Order No. 12959 of May 6, 1995, Executive Order No. 13059 of August 19, 1997, or any other prohibition on transactions with respect to Iran that is imposed under the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.) and if such entity was created or availed of for the purpose of engaging in such an act, the parent company of such entity shall be subject to the penalties for such violation to the same extent as if such parent company had engaged in such act.

(b) Exception- Subsection (a) shall not apply to an act carried out under a contract or other obligation of an entity if such contract or obligation was entered into before the acquisition of such entity by a parent company unless such parent company acquired such entity knowing or having reason to know that such contract or other obligation existed or such contract or other obligation is expanded to cover additional activities beyond the terms of such contract or other obligation as it existed at the time of such acquisition.

(c) Definitions- In this section--

(1) the term 'entity' means a partnership, association, trust, joint venture, corporation, or other organization;

(2) an entity is a 'parent company' of another entity if it owns, directly or indirectly, more than 50 percent of the equity interest in that other entity and is a United States person; and

(3) the term 'United States person' means an entity organized under the laws of the United States or a person in the United States.

### SEC. 205. AUTHORITY TO IMPOSE SANCTIONS ON PRINCIPAL EXECUTIVE OFFICERS.

Section 5 of the Iran Sanctions Act of 1996 (50 U.S.C. 1701 note) is amended by adding at the end the following new subsection:

`(g) Authority To Impose Sanctions on Principal Executive Officers-

`(1) SANCTIONS UNDER SECTION 6- In addition to the sanctions imposed under subsection (a), the President may impose on the principal executive officer or officers of any sanctioned person, or on persons performing similar functions as such officer or officers, any of the sanctions under section 6. The President shall include on the list published under subsection (d) the name of any person against whom sanctions are imposed under this paragraph.

`(2) ADDITIONAL SANCTIONS- In addition to the sanctions imposed under paragraph (1), the President may block the property of any person described in such paragraph, and prohibit transactions in such property, to the same extent as the property of a foreign person determined to have committed acts of terrorism for purposes of Executive Order No. 13224 of September 23, 2001 (50 U.S.C. 1701 note).'

### SEC. 206. STRENGTHENING OF WAIVER AUTHORITY AND SANCTIONS IMPLEMENTATION.

(a) Investigations- Section 4(f) of the Iran Sanctions Act of 1996 (50 U.S.C. 1701 note) is amended--

(1) in subsection 4(f)(1), by striking 'should' and inserting 'shall immediately;' and

(2) by adding at the end the following new paragraph:

`(3) DEFINITION OF CREDIBLE INFORMATION- For the purposes of this subsection, the term 'credible information' means public or classified information or reporting supported by other substantiating evidence.'

(b) Exception for Proliferation Security Initiative- Section 5(f) of the Iran Sanctions Act of 1996 (50 U.S.C. 1701 note) is amended--

- (1) in paragraph (6), by striking `or' at the end;
- (2) in paragraph (7), by striking the period at the end and inserting `; or'; and
- (3) by adding at the end the following new paragraph:

`(8) if the President determines in writing that the person to which the sanctions would otherwise be applied is a citizen, resident, or subsidiary of a country that is a participant in the Proliferation Security Initiative.'

(c) General Waiver Authority- Section 9(c)(1) of the Iran Sanctions Act of 1996 (50 U.S.C. 1701 note) is amended by striking `important to the national interest of the United States' and inserting `vital to the national security interest of the United States'.

(d) Rule of Construction- The amendments made by this section shall not be construed to affect any exercise of the authority of section 4(f) or section 9(c) of the Iran Sanctions Act of 1996 as in effect on the day before the date of the enactment of this Act.

### TITLE III--AMENDMENTS TO THE IRAN, NORTH KOREA, AND SYRIA NONPROLIFERATION ACT

#### SEC. 301. TRANSSHIPMENT OF CERTAIN GOODS, SERVICES, OR TECHNOLOGY.

The Iran, North Korea, and Syria Nonproliferation Act (Public Law 106-178; 50 U.S.C. 1701 note) is amended--

- (1) in section 2--

(A) in subsection (a), in the matter preceding paragraph (1)--

- (i) by striking `or' after `Syria,'; and

(ii) by inserting after `North Korea' the following: `, on or after January 1, 1999, permitted, hosted, or otherwise facilitated a transshipment (as such term is defined in section 5) that may have enabled a foreign person to transfer (as such term is defined in section 7) to or acquire from Iran, on or after January 1, 2005, permitted, hosted or otherwise facilitated a transshipment that may have enabled a foreign person to transfer to or acquire from Syria, or on or after January 1, 2006, permitted, hosted or otherwise facilitated a transshipment that may have enabled a person to transfer to or acquire from North Korea'; and

(B) in subsection (e), by inserting `, or whose transfer via transshipment was permitted, hosted, or facilitated,' after `transferred'; and

- (2) in section 5--

(A) in subsection (a)--

(i) in paragraph (1), by inserting `, or did not permit, host, or otherwise facilitate transshipment that may have enabled a foreign person to transfer to or acquire from,' before `Iran';

- (ii) in paragraph (3), by striking `or' at the end;

- (iii) in paragraph (4), by striking the period at the end and inserting `; or'; and

- (iv) by adding at the end the following new paragraph:

`(5) in the case of a foreign person who permitted, hosted, or otherwise facilitated transshipment that may have enabled a foreign person to transfer to or acquire from Iran, North Korea, or Syria, as the case may be, the goods, services, or technology the apparent transfer of which caused that person to be identified in a report submitted pursuant to section 2(a), the government with primary jurisdiction over the foreign person has made and continues to make clear, specific efforts to stop and deter the permitting, hosting, or other facilitating of transshipments that may enable such transfers or acquisitions.'; and

- (B) by adding at the end the following new subsection:

`(g) Definitions- In this section:

`(1) GOODS, SERVICES, OR TECHNOLOGY- The term `goods, services, or technology' includes--

`(A) any defense articles or defense services on the United States Munitions List under section 38 of the Arms Export Control Act (22 U.S.C. 2778) for which special export controls are warranted under such Act (22 U.S.C. 2751 3 et seq.);

`(B) any item identified on the Commerce Control List maintained under part 774 of title 15, Code of Federal Regulations; and

`(C) other sensitive United States goods, including intellectual property and services, that would contribute to the ability of Iran, North Korea, or Syria, as the case may be, to further its conventional and unconventional military capabilities.

`(2) TRANSSHIPMENT- The term `transshipment' means the export from one country to another that passes through a third country, in which cargo is off-loaded and there is some change to conveyance.'

SEC. 302. PROHIBITION ON PAYMENTS RELATED TO SERVICE MODULE OF THE RUSSIAN AVIATION AND SPACE AGENCY.

Section 6 of the Iran, North Korea, and Syria Nonproliferation Act (Public Law 106-178; 50 U.S.C. 1701 note) is amended by--

(1) striking subsection (g); and

(2) redesignating subsections (h) and (i) as subsections (g) and (h), respectively.

TITLE IV--DIVESTMENT FROM IRAN

SEC. 401. REQUIRING THE DIVESTITURE OF CURRENT INVESTMENTS IN IRAN, PROHIBITING FUTURE INVESTMENTS IN IRAN, AND REQUIRING THE DISCLOSURE TO INVESTORS OF INFORMATION RELATING TO SUCH INVESTMENTS.

(a) United States Pension Plans-

(1) PUBLICATION IN FEDERAL REGISTER- Not later than six months after the date of the enactment of this Act and every six months thereafter, the President shall ensure publication in the Federal Register of a list of all United States and foreign entities that have invested more than \$20,000,000 in Iran's energy sector between August 5, 1996, and the date of such publication. Such list shall include an itemization of individual investments of each such entity, including the dollar value, intended purpose, and current status of each such investment.

(2) DISCLOSURE TO INVESTORS-

(A) IN GENERAL- Not later than 30 days after the date of publication of a list in the relevant Federal Register under paragraph (1), managers of United States Government pension plans or thrift savings plans, managers of pension plans maintained in the private sector by plan sponsors in the United States, and managers of mutual funds sold or distributed in the United States shall notify investors that the funds of such investors are invested in an entity included on the list and that the funds will be divested from such investments. Such notification shall contain the following information:

(i) The name or other identification of the entity.

(ii) The amount of the investment in the entity.

(iii) The potential liability to the entity if sanctions are imposed by the United States on Iran or on the entity.



- (iv) The potential liability to investors if such sanctions are imposed.
- (v) The measures being undertaken by the managers to divest from such investments.

(B) FOLLOW-UP NOTIFICATION-

(i) IN GENERAL- Except as provided in clause (iii), in addition to the notification required under paragraph (A), such managers shall also include such notification in every prospectus and in every regularly provided quarterly, semi-annual, or annual report provided to investors, if the funds of such investors are invested in an entity included on the list.

(ii) CONTENTS OF NOTIFICATION- The notification described in clause (i) shall be displayed prominently in any such prospectus or report and shall contain the information described in subparagraph (A).

(iii) GOOD-FAITH EXCEPTION- If, upon publication of a list in the relevant Federal Register under subsection (a)(1), such managers verifiably divest all investments of such plans or funds in any entity included on the list and such managers do not initiate any new investment in any other such entity, such managers shall not be required to include in any prospectus or report provided to investors the notification described in subparagraph (A).

(3) DIVESTITURE FROM IRAN- Upon notification under subsection (a)(2), managers of United States Government pension plans or thrift savings plans, shall take, to the extent consistent with the legal and fiduciary duties otherwise imposed on them, immediate steps to divest all investments of such plans or funds in any entity included on the list.

(4) SENSE OF CONGRESS RELATING TO FURTHER DIVESTITURE FROM IRAN- It is the sense of Congress that upon publication of a list in the relevant Federal Register under subsection (a)(1), managers of pension plans maintained in the private sector by plan sponsors in the United States and managers of mutual funds sold or distributed in the United States should take immediate steps to divest all investments of such plans or funds in any entity included on the list.

(5) PROHIBITION ON FUTURE INVESTMENT- Upon publication of a list in the relevant Federal Register under subsection (a)(1), there shall be, to the extent consistent with the legal and fiduciary duties otherwise imposed on them, no future investment in any entity included on the list by managers of United States Government pension plans or thrift savings plans, managers of pension plans maintained in the private sector by plan sponsors in the United States, or managers of mutual funds sold or distributed in the United States.

(b) Report by Office of Global Security Risks- Not later than 30 days after the date of publication of a list in the relevant Federal Register under subsection (a), the Office of Global Security Risks within the Division of Corporation Finance of the United States Securities and Exchange Commission shall issue a report containing a list of the United States and foreign entities identified in accordance with such subsection, a determination of whether or not the operations in Iran of any such entity constitute a political, economic, or other risk to the United States, and a determination of whether or not the entity faces United States litigation, sanctions, or similar circumstances that are reasonably likely to have a material adverse impact on the financial condition or operations of the entity.

(c) Sunset- This section shall terminate 30 days after the date on which the President has made the certifications described in section 101(b) of the Iran Freedom Support Act, as amended by section 101(b) of this Act.

SEC. 402. INCENTIVES FOR DIVESTMENT FROM IRAN.

It shall be the policy of the United States to--

(1) expedite the approval process and issuance of any guarantee, insurance, extension of credit, or participation in the extension of credit in connection with the export of any goods or services to an entity or person that deliberately and willingly divests all investments in Iran;

(2) provide preference to United States financial institution loans or credits to an entity or person that deliberately and willingly divests all investments in Iran; and

(3) provide preference to United States Government contracting or procurement of goods or services from an entity or person that deliberately and willingly divests all investments in Iran.

**SEC. 403. DENIAL OF TAX BENEFITS FOR TAXPAYERS ENGAGED IN BUSINESS ACTIVITY WITH IRAN PROHIBITED BY UNITED STATES LAW.**

(a) In General- Section 901 of the Internal Revenue Code of 1986 (relating to taxes of foreign countries and of possessions of United States) is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

“(m) Taxpayers Engaged in Business Activity With Iran Prohibited by United States Law-

“(1) IN GENERAL- Notwithstanding any other provision of this part, in the case of a taxpayer which is a member of an expanded affiliated group any member of which, on any day during the taxable year, engaged in business activity with Iran which is prohibited by United States law, no credit shall be allowed under subsection (a) to the taxpayer for any income, war profits, or excess profits taxes paid or accrued (or deemed paid under section 902 or 960) to any country if such taxes are with respect to income attributable to a period any part of which occurs during such taxable year.

“(2) BUSINESS ACTIVITY- For purposes of paragraph (1)--

“(A) IN GENERAL- The term ‘business activity’ means any of the following:

“(i) An entity described in subparagraph (D) that--

“(I) has in effect a contract that includes the responsibility for the development of petroleum resources, petroleum refining capacity, or liquefied natural gas located in Iran or (as the case may be), or

“(II) has in effect a contract providing for the general supervision and guarantee of another person's performance of a contract described in subclause (I).

“(ii) The purchase of a share of ownership, including an equity interest, in the development described in clause (i).

“(iii) Having in effect a contract providing for the participation in royalties, earnings, or profits in the development described in clause (i), without regard to the form of the participation.

“(B) GOODS, SERVICES, AND TECHNOLOGY- The term ‘business activity’ includes the entry into, performance, or financing of a contract to sell or purchase goods, services, or technology.

“(C) SPECIAL RULE- For purposes of this paragraph, an amendment or other modification that is made, on or the date of the enactment of this subsection to an agreement or contract shall be treated as the entry of an agreement or contract.

“(D) ENTITIES DESCRIBED- For purposes of subparagraph (A), an entity described in this subparagraph is--

“(i) a natural person;

“(ii) a corporation, business association, partnership, society, trust, financial institution, insurer, underwriter, guarantor, and any other business organization;

“(iii) any foreign subsidiary of any entity described in clause (ii);

“(iv) any governmental entity operating as a business enterprise, such as an export credit

agency; and

`(v) any successor to any entity described in clause (ii), (iii), or (iv).

`(3) TAXES ALLOWED AS A DEDUCTION, ETC- Sections 275 and 78 shall not apply to any tax which is not allowable as a credit under subsection (a) by reason of this subsection.

`(4) EXPANDED AFFILIATED GROUP- For purposes of paragraph (1), the term `expanded affiliated group' means an affiliated group (as defined in subsection (a) of section 1504 (without regard to subsections (b)(2), (b)(4), and (c) thereof)); except that section 1504(a) shall be applied by substituting `more than 50 percent' for `at least 80 percent' each place it appears.

`(5) REGULATIONS- The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection, including regulations which impose appropriate reporting requirements.'

(b) Income Included as Subpart F Income- Subsection (a) of section 952 is amended by striking `and' at the end of paragraph (4), by striking the period at the end of paragraph (5) and inserting `, and', and by inserting after paragraph (5) the following new paragraph:

`(6) all income of such corporation derived from all foreign countries during any period during which section 901(m) applies to such corporation.'

(c) Reporting-

(1) IN GENERAL- Part II of subchapter B of chapter 68 of the Internal Revenue Code of 1986 (relating to failure to comply with certain information reporting requirements) is amended by adding at the end the following new section:

`SEC. 6726. FAILURE TO REPORT INFORMATION UNDER SECTION 901(M).

`(a) In General- In the case of each failure described in subsection (c) by any person, such person shall pay a penalty of \$100,000 for each day in the noncompliance period with respect to which the failure relates.

`(b) Noncompliance Period- For purposes of this section, the term `noncompliance period' means, with respect to any failure, the period--

`(1) beginning on the date such failure first occurs; and

`(2) ending on the date such failure is corrected.

`(c) Failures Subject to Penalty- For purposes of subsection (a), the failure described in this subsection is a failure to comply with any requirement contained in the regulations prescribed under section 901(m).'

(2) CLERICAL AMENDMENT- The table of sections for part II of subchapter B of chapter 68 of such Code is amended by adding at the end the following new item:

`Sec. 6726. Failure to report information under section 901(m).'

(d) Effective Date- The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

**SEC. 404. TAX ON INCOME DERIVED BY FOREIGN CORPORATIONS FROM BUSINESS ACTIVITY WITH IRAN PROHIBITED BY UNITED STATES LAW.**

(a) Tax Amendment- Subpart B of part II of subchapter N of chapter 1 of the Internal Revenue Code of 1986 (relating to foreign corporations) is amended by inserting after section 884 the following new section:

**`SEC. 884A. TAX ON INCOME DERIVED BY FOREIGN CORPORATIONS FROM BUSINESS ACTIVITY WITH IRAN PROHIBITED BY UNITED STATES LAW.**

`In the case of a foreign corporation which is engaged in business activity with Iran prohibited by United States law--

`(1) in respect of tax on income derived from such prohibited activity--

`(A) section 881(a) shall be applied by substituting `45 percent' for `30 percent';

`(B) subsections (b), (c), (d) and (e) of section 881 shall not apply;

`(C) tax imposed pursuant to section 882 shall be imposed at a rate of `45 percent';

`(D) section 883 shall not apply; and

`(E) section 884(a) shall be applied by substituting `45 percent' for `30 percent'; and

`(2) in respect of withholding--

`(A) section 1442(a) shall be applied by substituting `45 percent' for `30 percent'; and

`(B) section 1442(c) shall not apply.'.

(b) Clerical Amendment- The table of sections for subpart B of part II of subchapter N of chapter 1 of such Code is amended by inserting after the item relating to section 884 the following new item:

`Sec. 884A. Income tax of foreign corporations engaged in business activity with Iran prohibited by United States law.'.

(c) Effective Date- The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

## TITLE V--COMPENSATION FOR FORMER UNITED STATES HOSTAGES HELD BY IRAN AND VICTIMS OF IRANIAN-SPONSORED TERRORIST ATTACKS AGAINST THE UNITED STATES

### SEC. 501. CREATION OF FUND.

There is established a fund to be known as the `Compensation for Former United States Hostages in Iran Fund' (in this title referred to as the `Fund'), consisting of such amounts as may be appropriated to the Fund as provided by this section.

### SEC. 502. TRANSFERS TO FUND.

There are hereby appropriated to the Fund amounts equivalent to the taxes received in the Treasury by reason of the amendments made by sections 403 and 404 of this Act.

### SEC. 503. EXPENDITURES FROM FUND.

Amounts in the Fund shall be available, as provided by appropriation Acts, for making expenditures to pay claims to the United States citizens held hostage in Iran, and to members of the families of such United States citizens, who are identified as plaintiffs or class members in Case Number 1:00CV03110 (EGS).

### SEC. 504. COMPENSATION AMOUNTS.

Plaintiffs or class members referred to in section 503 shall be compensated from amounts in the Fund as follows:

(1) For each former hostage so identified as a plaintiff or class member, \$1,000 for each day of captivity of such former hostage.

(2) For each spouse and child so identified as a plaintiff or class member, \$500 for each day of captivity of the hostage to whom such spouse or child is related.

(3) Interest on each amount identified in accordance with paragraphs (1) and (2), calculated at

the daily prime rate, as determined by the Board of Governors of the Federal Reserve System, from the period beginning on the date on which a former hostage so identified was taken hostage until the date of payment under this section.

SEC. 505. REMAINING FUNDS.

(a) In General- After all plaintiffs and class members referred to in section 503 are compensated in accordance with section 504, any amounts remaining in the Fund shall be distributed evenly among plaintiffs and class members who were granted judgments and awarded damages by United States courts in claims against Iran (identified in subsection (b)), but were not compensated.

(b) Claims Identified- Claims referred to in subsection (a) are the following:

- (1) *Acosta v. Iran*, 574 F. Supp. 2d 15 (D.D.C. 2008).
- (2) *Bakhtiar v. Islamic Republic of Iran*, Civil Action No. 02-00092 (HHK) (D.D.C. 2008).
- (3) *Beer v. Iran*, 574 F. Supp. 2d 1 (D.D.C. 2008).
- (4) *Bennett v. Islamic Republic of Iran*, 507 F. Supp. 2d 117 (D.D.C. 2007).
- (5) *Ben-Rafael v. Islamic Republic of Iran*, 2008 WL 485091 (D.D.C. 2008).
- (6) *Blais v. Islamic Republic of Iran*, 459 F. Supp. 2d 40 (D.D.C. 2006).
- (7) *Bodoff v. Islamic Republic of Iran*, 424 F. Supp. 2d 74 (D.D.C. 2006).
- (8) *Campuzano v. Islamic Republic of Iran*, 281 F. Supp. 2d 258 (D.D.C. 2003).
- (9) *Cicippio-Puleo v. Islamic Republic of Iran*, Civil Action No. 01-01496 (HHK) (D.D.C. 2005).
- (10) *Cronin v. Islamic Republic of Iran*, 238 F. Supp. 2d 222 (D.D.C. 2002).
- (11) *Dammarell v. Islamic Republic of Iran*, 2006 WL 2583043 (D.D.C. 2006).
- (12) *Dodge v. Islamic Republic of Iran*, 2004 WL 5353873 (D.D.C. 2004).
- (13) *Estate of Heiser v. Islamic Republic of Iran*, 466 F. Supp. 2d 229 (D.D.C. 2006).
- (14) *Estate of Bayani v. Islamic Republic of Iran*, Civil Action No. 04-01712 (HHK), 2007 WL 4116167 (D.D.C. 2007).
- (15) *Greenbaum v. Islamic Republic of Iran*, 451 F. Supp. 2d 90 (D.D.C. 2006).
- (16) *Haim v. Islamic Republic of Iran*, 425 F. Supp. 2d 56 (D.D.C. 2006).
- (17) *Holland v. Islamic Republic of Iran*, 496 F. Supp. 2d 1 (D.D.C. 2005).
- (18) *Jacobsen v. Islamic Republic of Iran*, Civil Action No. 02-1365 (JR) (D.D.C. 2006).
- (19) *Kerr v. Islamic Republic of Iran*, 245 F. Supp. 2d 59 (D.D.C. 2003).
- (20) *Levin v. Islamic Republic of Iran*, Civil Action No. 05-02494 (GK), 2007 WL 4564399 (D.D.C. 2008).
- (21) *Nikbin v. Islamic Republic of Iran*, 517 F. Supp. 2d 416 (D.D.C. 2007).
- (22) *Peterson v. Islamic Republic of Iran*, 515 F. Supp. 2d 25 (D.D.C. 2007).
- (23) *Prevatt v. Islamic Republic of Iran*, 421 F. Supp. 2d 152 (D.D.C. 2006).
- (24) *Rafii v. Islamic Republic of Iran*, Civil Action No. 01-850 (CKK) (D.D.C. 2002).
- (25) *Regier v. Islamic Republic of Iran*, 281 F. Supp. 2d 87 (D.D.C. 2003).
- (26) *Salazar v. Islamic Republic of Iran*, 370 F. Supp. 2d 105 (D.D.C. 2005).
- (27) *Sisso v. Islamic Republic of Iran*, 2007 WL 2007582 (D.D.C. 2007).
- (28) *Steen v. Islamic Republic of Iran*, 2003 WL 21672820 (D.D.C. 2003).
- (29) *Stern v. Islamic Republic of Iran*, 271 F. Supp. 2d 286 (D.D.C. 2003).
- (30) *Surette v. Islamic Republic of Iran*, 231 F. Supp. 2d 260 (D.D.C. 2002).
- (31) *Tracy v. Islamic Republic of Iran*, 2003 U.S. Dist. LEXIS 15844 (D.D.C. 2003).
- (32) *Turner v. Islamic Republic of Iran*, 2002 U.S. Dist. LEXIS 26730 (D.D.C. 2002).
- (33) *Valore v. Islamic Republic of Iran*, 478 F. Supp. 2d 101 (D.D.C. 2007).

(34) Weir v. Islamic Republic of Iran, Civil Action No. 01-1303 (TPJ) (D.D.C. 2003).

(35) Welch v. Islamic Republic of Iran, Civil Action No. A01-863(CKK)(AK) (D.D.C. 2007).

SEC. 506. RULE OF CONSTRUCTION.

No plaintiff or class member referred to in section 503, as a result of belonging to more than one claim identified in section 505, shall be eligible for multiple compensation under section 504.

TITLE VI--ADDITIONAL PROVISIONS RELATED TO IRANIAN UNCONVENTIONAL WEAPONS PROGRAMS AND SUPPORT FOR INTERNATIONAL TERRORISM

SEC. 601. BIOLOGICAL WEAPONS CAPABILITIES AND PROGRAMS.

(a) Statement of Policy- It shall be the policy of the United States--

(1) to recognize the grave threat to the United States and to United States allies and interests that Iranian biological weapons programs represent;

(2) to use voice, vote, and influence of the United States within international organizations to raise and investigate Iranian compliance with its obligations under the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction; and

(3) to refrain from directly engaging with any person, agent, instrumentality, or official of, is affiliated with, or is serving as a representative of the Government of Iran until Iran verifiably dismantles or otherwise ceases its programs conducive to producing biological weapons.

(b) Report-

(1) REQUIREMENT- Not later than 180 days after the date of the enactment of this Act and annually thereafter, the President shall transmit to the appropriate congressional committees an inter-agency assessment of Iran's biological weapons capabilities.

(2) CLASSIFIED ANNEX- The report required under paragraph (1) shall be in unclassified form to the greatest extent possible, but may include a classified annex where necessary.

(3) APPROPRIATE CONGRESSIONAL COMMITTEES DEFINED- In this subsection, the term 'appropriate congressional committees' means the Committee on Foreign Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate.

SEC. 602. IRANIAN CHEMICAL WEAPONS CAPABILITIES AND PROGRAMS.

(a) Statement of Policy- It shall be the policy of the United States to--

(1) to recognize the grave threat to the United States, United States allies, and United States interests that Iranian chemical weapons programs represent;

(2) to use voice, vote, and influence of the United States within international organizations to declare the Government of Iran in violation of its obligations under the Chemical Weapons Convention; and

(3) to refrain from directly engaging with any person, agent, instrumentality, or official of, is affiliated with, or is serving as a representative of the Government of Iran until Iran verifiably dismantles otherwise ceases its programs conducive to producing chemical weapons.

(b) Report-

(1) IN GENERAL- Not later than 180 days after the date of the enactment of this Act and annually thereafter, the President shall transmit to the appropriate congressional committees an interagency assessment of Iran's chemical weapons capabilities.

(2) CLASSIFIED ANNEX- The report required under paragraph (1) shall be in unclassified form to the greatest extent practicable, but may include a classified annex if necessary.

(3) APPROPRIATE CONGRESSIONAL COMMITTEES DEFINED- In this subsection, the term 'appropriate congressional committees' means the Committee on Foreign Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate.

SEC. 603. RESTRICTIONS ON NUCLEAR COOPERATION WITH COUNTRIES ASSISTING THE NUCLEAR PROGRAM OF IRAN.

(a) In General- Notwithstanding any other provision of law or any international agreement, no agreement for cooperation between the United States and the government of any country that is assisting the nuclear program of Iran or transferring advanced conventional weapons or missiles to Iran may be submitted to the President or to Congress pursuant to section 123 of the Atomic Energy Act of 1954 (42 U.S.C. 2153), no such agreement may enter into force with such country, no license may be issued for export directly or indirectly to such country of any nuclear material, facilities, components, or other goods, services, or technology that would be subject to such agreement, and no approval may be given for the transfer or retransfer directly or indirectly to such country of any nuclear material, facilities, components, or other goods, services, or technology that would be subject to such agreement, until the President determines and reports to the Committee on Foreign Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate--

(1) Iran has ceased its efforts to design, develop, or acquire a nuclear explosive device or related materials or technology; or

(2) the government of the country that is assisting the nuclear program of Iran or transferring advanced conventional weapons or missiles to Iran--

(A) has suspended all nuclear assistance to Iran and all transfers of advanced conventional weapons and missiles to Iran; and

(B) is committed to maintaining that suspension until Iran has implemented measures that would permit the President to make the determination described in paragraph (1).

(b) Construction- The restrictions described in subsection (a)--

(1) shall apply in addition to all other applicable procedures, requirements, and restrictions contained in the Atomic Energy Act of 1954 and other laws; and

(2) shall not be construed as affecting the validity of agreements for cooperation that are in effect on the date of the enactment of this Act.

(c) Definitions- In this section:

(1) AGREEMENT FOR COOPERATION- The term 'agreement for cooperation' has the meaning given that term in section 11 b. of the Atomic Energy Act of 1954 (42 U.S.C. 2014 b.).

(2) ASSISTING THE NUCLEAR PROGRAM OF IRAN- The term 'assisting the nuclear program of Iran' means the intentional transfer to Iran by a government, or by a person subject to the jurisdiction of a government with the knowledge and acquiescence of such government, of goods, services, or technology listed on the Nuclear Suppliers Group Guidelines for the Export of Nuclear Material, Equipment and Technology (published by the International Atomic Energy Agency as Information Circular INFCIRC/254/Rev. 3/Part 1, and subsequent revisions), or the Nuclear Suppliers Group Guidelines for Transfers of Nuclear-Related Dual-Use Equipment, Material, and Related Technology (published by the International Atomic Energy Agency as Information Circular INFCIR/254/Rev. 3/Part 2, and subsequent revisions).

(3) COUNTRY THAT IS ASSISTING THE NUCLEAR PROGRAM OF IRAN OR

TRANSFERRING ADVANCED CONVENTIONAL WEAPONS OR MISSILES TO IRAN- The term `country that is assisting the nuclear program of Iran or transferring advanced conventional weapons or missiles to Iran' means--

- (A) the Russia Federation; and
- (B) any other country determined by the President to be assisting the nuclear program of Iran or transferring advanced conventional weapons or missiles to Iran.

(4) TRANSFERRING ADVANCED CONVENTIONAL WEAPONS OR MISSILES TO IRAN- The term `transferring advanced conventional weapons or missiles to Iran' means the intentional transfer to Iran by a government, or by a person subject to the jurisdiction of a government with the knowledge and acquiescence of such government, of goods, services, or technology listed on--

- (A) the Wassenaar Arrangement list of Dual Use Goods and Technologies and Munitions list of July 12, 1996, and subsequent revisions; or
- (B) the Missile Technology Control Regime Equipment and Technology Annex of June 11, 1996, and subsequent revisions.

#### SEC. 604. CONTINUATION OF RESTRICTIONS AGAINST THE GOVERNMENT OF IRAN.

(a) In General- Restrictions against the Government of Iran that were imposed by reason of a determination of the Secretary of State that the Government of Syria, for purposes of section 6(j) of the Export Administration Act of 1979 (as continued in effect pursuant to the International Emergency Economic Powers Act), section 40 of the Arms Export Control Act, section 620A of the Foreign Assistance Act of 1961, or other provision of law, is a government that has repeatedly provided support for acts of international terrorism, shall remain in effect, and shall not be lifted pursuant to such provisions of law, unless the President certifies to Congress that the Government of Iran--

(1) is no longer engaged in the illegal development, acquisition, procurement, or stockpiling of missile, nuclear, chemical, biological, or radiological technology, or transfer to any other country, the government of which the Secretary of State has determined, for purposes of any of the provisions of law specified in the matter preceding this paragraph, is a government that has repeatedly provided support for acts of international terrorism;

(2) is no longer engaged in training, harboring, supplying, financing, or supporting in any way--

(A) any organization designated by the Secretary of State as a foreign terrorist organization in accordance with section 219(a) of the Immigration and Nationality Act (8 U.S.C. 1189(a)); and

(B) any person included on the Annex to Executive Order 13224 (September 23, 2001) and any other person identified under section 1 of that Executive Order whose property and interests in property are blocked by that section (commonly known as a `specially designated global terrorist').

(b) Limitation on Assistance- Notwithstanding any other provision of law, no funds under this or any other Act shall be used to provide direct or indirect assistance to the Government of Iran unless the President makes the certification described in subsection (a).

#### TITLE VII--DEFINITIONS

#### SEC. 701. DEFINITIONS.

Except as otherwise provided, in this Act:

(1) APPROPRIATE CONGRESSIONAL COMMITTEES- The term `appropriate congressional



committees' means--

(A) the Committee on Foreign Affairs and the Committee on Appropriations of the House of Representatives; and

(B) the Committee on Foreign Relations and the Committee on Appropriations of the Senate.

(2) GOVERNMENT OF IRAN- The term `Government of Iran' includes any agency or instrumentality of the Government of Iran, including any entity that is controlled by the Government of Iran.

(3) WEAPONS OF MASS DESTRUCTION PROGRAMS- The term `weapons of mass destruction programs' means--

(A) and chemical weapons, biological weapons, radiological or nuclear procurement and development programs and efforts;

(B) ballistic missile procurement and development programs and efforts; and

(C) other actions in violation of the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies, the Missile Technology Control Regime, the Australia Group, the Nuclear Suppliers' Group, the Zangger Committee, and any other international agreement or arrangement to which the United States is a party that restricts the export of chemical, biological, nuclear, and other weapons and their delivery systems, and effectively restricts the export of dual use components of such weapons and their delivery systems.

